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Bekker, S.; Klosse, Saskia

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THE CHANGING LEGAL CONTEXT OF EMPLOYMENT POLICY COORDINATION

How do Social Policy Issues Fare after the Crisis?

SONJA BEKKER* and SASKIA KLOSSE**

Abstract

Looking at the 2013 country-specific Recommendations, this article explores which legal instruments are used to coordinate employment and social policy items after the crisis. This includes instruments belonging to employment and social policy coordination, as well as to budgetary and economic governance cycles. The article answers the question whether the joint use of these instruments affect the Union's employment and social policy goals. The analysis reveals that employment and social policy items frequently feature in budgetary and economic governance cycles, such as the Stability and Growth Pact (SGP) and the Macro-economic Imbalances Procedure. Examples of such topics are health care, pension schemes and wage development. Yet, the impact on the Union's social goals shows a mixed picture, with certain Recommendations supporting social policies, while other Recommendations tending to address social issues from an economic perspective.

Keywords: EU economic governance; European labour law; EU social dimension; EU social policy; European Semester

1. INTRODUCTION

On 30 May 2013, the so-called Two Pack entered into force in all Eurozone Member States. Its Regulations seek to reinforce the rules for economic policy coordination and add to the combined analysis and assessment of budgetary, economic, employment

* Senior researcher of European Governance and Social Policy at ReflecT, Tilburg University, NL; e-mail: s.bekker@tilburguniversity.edu.

** Professor of labour law and social security law, Maastricht University, NL; e-mail: saskia.klosse@maastrichtuniversity.nl.

and social policies within the context of the European Semester. Starting with the 2014 budgetary cycle, this may further the interconnection between these traditionally separate policy cycles, and thus intensify the practice that similar policy items are subject to several, sometimes competing, coordination mechanisms. Hence, the tension between EU competence and Member State and social partner autonomy is likely to grow. To gain more insight into this matter, this article aims to explore which legal instruments are used to coordinate employment and social policy items after the crisis. To what extent do they feature in budgetary and economic governance cycles, and how does this affect the Union's employment and social policy goals?

To answer this question, the country-specific Recommendations (CSRs), issued in 2013, will be analysed. As stricter policy guidance seems to have altered the legal context in which CSRs are formulated, CSRs provide excellent examples to give full account on what has been changing in governance structures since the sovereign debt crisis hit the EU.¹ The article starts with listing the coordination mechanisms that may serve as a basis for issuing CSRs and reviews how they may interact within the European Semester (Section 2). Then, it explores how these coordination mechanisms address employment and social policy items, and the legal instruments used to evaluate the Union's employment and social policy goals (Section 3). In this context, the article devotes particular attention to one of the most salient policy items in which the EU may make policy recommendations, these being wage development and wage-setting mechanisms (Section 4). It seems interesting to pay particular attention to this topic. After all, the EU has no competence in matters related to pay (Article 153(5) TFEU), yet, nominal unit labour costs serve as an indicator to measure country performance. As such, through the backdoor of economic governance, CSRs may be issued requiring Member States to reform their wage setting systems. The article seeks to examine the extent to which this may give rise to tensions between EU competence and the autonomy of Member States and Social Partners, thereby looking at the CSRs issued to Belgium, France, Slovenia and Finland on wages.

The article winds up with some concluding observations on the impact of increased economic governance of the Union's employment and social policy goals. Are they downgraded to *ad hoc* items within economic coordination cycles? And has stricter policy guidance increased the tension between EU competence and Member State and social partner autonomy, and if so, to what extent (Section 5)? The paper concludes that there is a mixed picture, with certain Recommendations supporting social policies, while others addressing social issues from an economic perspective.

¹ See, e.g., R. Thillaye (2013), 'Gearing EU Governance towards Future Growth', Policy Network Paper, March 2013.

2. WHICH LEGAL INSTRUMENTS SUPPORT COUNTRY-SPECIFIC RECOMMENDATIONS?

The installation of a stricter economic governance package at the EU level was a direct reaction to the economic and financial crisis, and was promoted as a way of reducing the risk that future economic imbalances would have negative spill-over effects on other economies. One of the changes following the implementation of stricter economic governance was the merging of economic, fiscal, employment and social policy Recommendations onto one list, showing a variety of legal backgrounds.² This contrasts with the situation before 2010, when country-specific Recommendations were formulated in the context of the Open Method of Coordination (OMC). The legal basis for issuing Recommendations in the scope of economic policy coordination was provided for by Article 121 TFEU, and in the scope of employment policy coordination, by Article 148 TFEU.³ Since 2010, the legal background of these Recommendations has been changing. Essentially, the Recommendations may now be based upon each of the different coordination cycles that are part of the European Semester, which hosts all economic, employment and social policy coordination activities within the first six months of each year. As a result, at least five coordination mechanisms may now support CSRs: the Europe 2020 Strategy (including the Europe 2020 Integrated Guidelines), the Euro Plus Pact, the Macro-economic Imbalances Procedure (MIP), the Stability and Growth Pact (SGP), and the Two-Pack of budgetary surveillance. These coordination mechanisms range from being soft law policy coordination (Euro Plus Pact and Europe 2020), to hybrid coordination, combining a soft preventative arm with a hard corrective arm (SGP and MIP) (see figure 1).⁴ The Two-Pack is designed to support the SGP. Part of these coordination mechanisms have been either introduced or strengthened by the Six-Pack Regulations of 2011.

Three of the coordination mechanisms within the European Semester address economic and budgetary policies: the SGP, MIP and Two-Pack. The SGP, for instance, includes the infamous norms of countries needing to have a deficit below 3% of the Gross Domestic Product (GDP). The Six-Pack Regulations, among others,

² R.Thillaye (2013), 'Gearing EU Governance towards Future Growth', Policy Network Paper, March 2013; S. Bekker (2013), 'The EU's stricter economic governance: a step towards more binding coordination of social policies?', WZB Discussion Paper, SP IV 2013–501, January 2013.

³ EC (2009), Recommendation for a COUNCIL RECOMMENDATION on the 2009 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States' employment policies, Volume I Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan – Annual country assessments, Brussels, 28 January 2009, COM(2009) 34 final. This document still refers to the old Treaty Articles on economic policy coordination – Article 99(2) Treaty Establishing the European Community (TEC) and employment policy coordination Article 128(4) TEC.

⁴ For an outline of the characteristics of these coordination mechanisms, see S. Bekker and S. Klosse (2013), 'EU governance of economic and social policies: chances and challenges for Social Europe', *European Journal of Social Law*, No 2, June 2013, p. 103–120; Bekker 2013, see note 2.

strengthened the SGP, for instance, by adding a debt exceeding 60% of GDP as a reason for putting Member States into the corrective stage of the SGP (the Excessive Deficit Procedure (EDP)). Moreover, it introduced more automatic sanctioning through the reverse qualified majority voting.⁵ Thus, countries that are meeting the targets merely receive soft Recommendations, whereas countries with long-lasting excessive deficits or debts may progress towards the corrective stages, and eventually can receive fines. However, the SGP also encompasses economic guidelines (BPEGs) that may be seen as part of its soft or preventative arm.⁶

The Macro-economic Imbalances Procedure (MIP) is a rather new coordination mechanism. It was introduced as part of the Six-Pack Regulations, and aims at the surveying, prevention and early detection of macro-economic imbalances in Member States.⁷ It consists of a preventative and a corrective arm containing soft and hard law elements. The preventative arm starts with a quantitative evaluation of macro-economic trends in the Member States, using a scoreboard of indicators. If deviating trends occur, the Commission will organise an in-depth-review to assess whether an imbalance is harmless or problematic. The procedure may end with imposing sanctions on Member States that do not comply with the Recommendations to rebalance their economies.⁸ The Two-Pack is the latest set of Regulations to strengthen economic governance.⁹ It enables the Commission to get a better view of how Eurozone countries are working to meet the fiscal targets set by the SGP, and aims to ensure that Eurozone countries run fiscally sound policies.¹⁰ As a first step, countries have to present their draft budgets to the Commission each year by 15 October. The Commission will assess these drafts and, if necessary, will issue an opinion on them and request a revision of the draft. The idea is that the European Semester is strengthened by providing clearer rules for acting on the CSRs that recommend structural reforms that may also encompass labour market changes and social security changes.

Of the two soft coordination mechanisms within the European Semester, the Europe 2020 Strategy incorporates the most employment and social policy targets,

⁵ Article 126 TFEU and Protocol No 12. The debt rule is violated when the gap between a country's debt level and the 60% reference is not reduced by 1/20, on average, over a period of three years: Article 2(1) (a) of Reg. 1467/97 as amended by Reg. 1175/2011. For voting procedure see Article 5(5) and Article 6(2) of Reg. 1173/2011. Prior to the Six-Pack, imposing sanctions required the support of a qualified majority in the Council.

⁶ D.M. Trubek, P. Cottrell and M. Nance (2005), "Soft Law," "Hard Law", and European Integration: Towards a Theory of Hybridity', *University of Wisconsin Legal Studies Research Paper* No. 1002.

⁷ See Reg. 1176/2011 and Reg. 1174/2011.

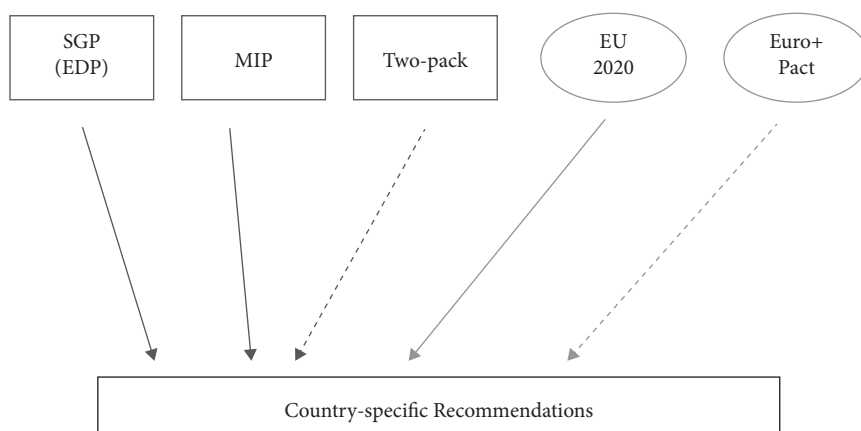
⁸ EC (2012b), Scoreboard for the surveillance of macroeconomic imbalances. European Economy Occasional Papers 92, February 2012.

⁹ EP and Council (2013), Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, 21 May 2013.

¹⁰ The Two Pack, moreover, lays down clearer procedures for dealing with Eurozone countries under severe financial pressure, however, this falls outside the scope of this paper.

such as the headline targets to increase the average employment rate in the EU to 75% and to reduce the population at risk of poverty or social exclusion. It also includes qualitative Employment Guidelines that entail employment as well as social policy aspects, including increasing labour market participation, promoting job quality and developing a skilled workforce.¹¹ The Euro Plus Pact is also a soft coordination mechanism, yet combines employment and economic aims. Its general aims are improving competitiveness, increasing employment, contributing to the sustainability of public finances and reinforcing financial stability. Progress is reported in the National Reform Programmes (NRPs) and Stability and Convergence Programmes (SCPs) that describe national responses to the SGP targets.¹² 23 countries voluntarily signed the Euro Plus Pact early on in the crisis. Lately, the Pact seems to have lost its prominence in the European Semester.

Figure 1. Legal instruments used as a basis for country-specific Recommendations 2011–2013



The relationship between the different coordination mechanisms within the European Semester may be illustrated by the Two-Pack. This Regulation contains a section on the consistency with the framework for economic policy coordination, including consistency with the Recommendations issued in the context of the SGP and with – where appropriate – Recommendations issued in the context of the annual cycle of surveillance, including the MIP. The draft budgetary plan has to contain information for the forthcoming year, as well as relevant information on general government expenditure by function, including on education, healthcare and employment, and, where possible, indications of the expected distributional impact of the main expenditure and revenue measures. It should also indicate how reforms

¹¹ Council (2010), Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States, 2010/707/EU.

¹² European Council. 2011. “Council conclusions 24/25 March 2011”, EUCO 10/1/11, Brussels, 20 April 2011.

and measures in the draft budgetary plan – in particular public investment – address the Recommendations issued to the Member State concerned in accordance with the economic policy cycle (Treaty Article 121 TFEU) and the employment policy cycle (Treaty Article 148 TFEU), and how they are instrumental to the achievement of the targets set by the EU’s strategy for growth and jobs. The next section further illustrates the interconnection between the different coordination mechanisms, by showing how Recommendations stemming from economic coordination mechanisms have started dealing with social and employment policies.

3. THE LEGAL CONTEXT OF RECOMMENDATIONS 2013

Twenty-three Member States received country-specific Recommendations in 2013. These Recommendations are given to Member States of varying economic and financial statuses. However, the so-called ‘programme countries’ that have received financial assistance from the International Monetary Fund (IMF), European Central Bank (ECB) and EU are not part of the European Semester, and do not receive CSRs as a result of the process. They should only meet the targets established in their Memoranda of Understanding. The explanatory text before each list of CSRs explains to which coordination mechanism each of the Recommendations relates. Looking back at the three years in which the European Semester has been running, the importance of each of the coordination mechanisms varies. For example, in 2011 and 2012 the Euro Plus Pact was related to the country-specific Recommendations (CSRs), however, in the cycle of 2013, the Euro Plus Pact has not been mentioned. Conversely, the MIP did not play a role in the 2011 ES cycle,¹³ but was used as a basis for the 2012 and 2013 Recommendations. Also, the 2012 and 2013 CSRs seem to refer carefully to the implementation of the upcoming Two-Pack Regulation, although this Regulation only came into force in May 2013 (after the drafting of the CSRs 2013). The text preceding the list of CSRs, hints at more EU influence on national decisions, for example, that of the Czech Republic reads: *“In the context of the European Semester, the Commission has carried out a comprehensive analysis of the Czech Republic’s economic policy. It has assessed the convergence programme and national reform programme. It has taken into account not only their relevance for sustainable fiscal and socio-economic policy in the Czech Republic but also their compliance with EU rules and guidance, given the need to reinforce the overall economic governance of the European Union by providing EU-level input into future national decisions. Its Recommendations under the European Semester are reflected in Recommendations (1) to (7) below.”*¹⁴ All

¹³ S. Bekker (2013), ‘The EU’s stricter economic governance: a step towards more binding coordination of social policies?’, WZB Discussion Paper, SP IV 2013–501, January 2013.

¹⁴ The interpretation of this text has been checked by asking a representative of the European Commission about the meaning of this text. He explained that it should be read as a reference to the upcoming Two-Pack. However, as the Two-Pack was not yet into force at the time of formulation

23 countries have a similar section in their explanatory texts preceding the CSRs. In essence, all CSRs (except for the last CSR of Latvia that addresses Latvia's judicial system) are related to this reference to what seems to be the upcoming Two-Pack. If this is indeed the case, it makes virtually all topics addressed by the CSRs relevant to this new Regulation, including employment and social policy items. Examples of this interconnection are shown in the next section.

4. CSRS IN THE CONTEXT OF THE SGP: EXAMPLES OF EMPLOYMENT AND SOCIAL POLICIES

A memo of the Commission shows the diversity in issues addressed by the CSRs, stretching from public finances to social policies on poverty and social exclusion.¹⁵ It confirms that in 2013, all 23 countries received a CSR on sound public finances (of which the first CSR is always related to the SGP and/or its corrective arm, the EDP) and a CSR on labour market participation. Popular CSRs are also those on education (all countries but the Netherlands), taxation (all but Denmark and Finland) and active labour market policies (all but Austria, Denmark and the Netherlands). Nine Member States received a CSR on poverty and/or social inclusion. The SGP and the MIP are frequently referred to as a basis for CSRs, and these often include employment and social policies. Apart from the text preceding the CSRs, the CSRs themselves at times refer to certain (stages of) coordination mechanisms. In the case of Belgium, one CSR refers to the Treaty on Stability, Coordination and Governance (TSCG), which entered into force on 1 January 2013, and binds countries to implement a balanced budget rule in their national legislation through permanent, binding provisions. Romania's first CSR refers to its commitments made in the financial assistance programmes, as Romania is currently getting out of this support programme, and thus finds itself in a transition stage of having to meet old requirements while getting new Recommendations from the European Semester. Next, some examples of Recommendations illustrate how social policies are addressed in Recommendations that are formulated in the context of the SGP.

of the CSRs, the Commission could not explicitly use a reference to the Two-Pack. Inquiry made by first author on 9 October 2013 in Brussels. Council (2013a), Recommendation for a COUNCIL RECOMMENDATION on the Czech Republic's 2013 national reform programme and delivering a Council opinion on the Czech Republic's convergence programme for 2012–2016, 10626/1/13 REV 1, Brussels, 19 June 2013: 9. Underlining added by author. Yet, the European Semester cycle of 2014 will shed more light on the role of the Two Pack within the coordination of Member State policies.

¹⁵ EC (2013a), Moving beyond the crisis: country-specific Recommendations 2013, IP/13/463, 29 May 2013. S. Clauwaert (2013) The country-specific Recommendations (CSRs) in the social field – An overview and (initial) comparison to the CSRs 2011–2012 and 2012–2013 and 2013–2014, Background analysis 2013.02, Brussels, ETUI. See, for full information, European Commission documents belonging to the European Semester 2013; available via the Europe 2020 website: http://ec.europa.eu/europe2020/europe-2020-in-your-country/index_en.htm. Accessed frequently between June and November 2013.

When countries receive a Recommendation on sound public finances, it at times includes suggestions to alter pension and/or healthcare systems, particularly because these are areas in which public spending could be reduced. Slovakia, for example, received a first CSR mentioning that it should further improve the long-term sustainability of public finance by reducing the financing gap in the public pension system and increasing the cost-effectiveness of the healthcare sector. A number of countries, such as Italy and Poland, also received an SGP-related CSR on improving the general efficiency and quality of public expenditure. Some countries received SGP-related CSRs addressing other topics, such as Latvia, which received a first CSR on the taxation of low earners and combating the ‘shadow’ economy. Moreover, several countries received an SGP-related CSR to consolidate in a sustainable and growth-friendly manner, for instance, it has been recommended to the Netherlands that it should spare education, innovation and research from budget cuts. This illustrates that, although they are based on economic coordination mechanisms, and although they have the reduction of country’s debt and deficit as a prime concern, SGP-related Recommendations do not always hold a negative view of social Europe. Spain is also an example of this, as its first CSR is related to the SGP (EDP) and MIP, yet argued for maintaining access to healthcare for vulnerable groups, even though the cost-effectiveness of healthcare needed to improve.

5. CSRS IN THE CONTEXT OF THE MIP: EXAMPLES OF WAGE-RELATED ISSUES

Most social policy and employment topics in CSRs are related to the MIP. The scoreboard of indicators with which the MIP starts, values wage development in relation to productivity growth, using the change in nominal unit labour cost as an indicator. However, wage-setting is precisely an issue that is the domain of the national (or even sectoral/company-level) social partners, and at times, the national government.¹⁶ In 2013, four countries received an MIP-related Recommendation on wages: Belgium, France, Slovenia, and Finland. The content of these wage Recommendations differs considerably among the four countries. Moreover, for Belgium, France and Finland, the CSRs include a reference to the role of the national social partners and national practices. Such a reference is not present in the wage Recommendations of Slovenia. In the case of Belgium and France, the CSR is supported by the conclusions of the second stage of the MIP, which is the in-depth review. What the wage Recommendations do

¹⁶ The MIP acknowledges potential tensions with the autonomy of Member States and social partners, and explicitly refers to Treaty Article 152 TFEU on respecting national practices and institutions for wage formation. Moreover, it claims to take into account Article 28 of the Charter of Fundamental Rights of the EU, and to respect the right to negotiate, conclude collective agreements or to take collective action. See Reg. 1176/2011 and Reg. 1174/2011.

seem to share is a rather economic view on wages, linking them to productivity and competitiveness.

For Belgium, the Commission states, in the text preceding the CSR, that the country has lost competitiveness, among others, due to its wage-setting system. The Commission notes that the wage norm of 1996, intending to maintain competitiveness in comparison with Belgium's main trading partners, has not always fulfilled its role. Further, even though the Commission sees that recent measures have brought wage evolution more in line with productivity levels, it finds these measures insufficient to ensure long-term compatibility between wage and productivity developments.¹⁷ The Commission therefore suggests structural improvements to the wage bargaining framework, including automatic corrections. With the approval of the Council, the result is a CSR related to the MIP stating: *"To restore competitiveness, pursue the on-going efforts to reform the wage setting system, including wage indexation; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects sub-regional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness."*¹⁸ While this Recommendation addresses wage issues that belong to the autonomy of social partners, and does so within an eventually binding coordination mechanism, the CSR does mention that Belgium should take measures in consultation with the social partners and in accordance with national practice. This could perhaps give Belgium enough room to develop its own policies. Moreover, although this Recommendation builds on the outcome of the in-depth review of Belgium, this second stage of the MIP has not yet progressed into the corrective stages (in terms of sanctions), and therefore it remains to be seen whether these wage-related issues will also be a ground for sanctioning countries.

The Commission's wage analysis of France in particular addresses the level of the minimum wage. The Commission establishes that France has decided recently to increase the minimum wage and that this may have a negative impact on jobs and competitiveness. It thereby refers to the 2012 CSRs, which stated the same. According to the Commission, the hourly minimum wage increased by 38% (16% in real terms) between 2002 and 2012, and while partly compensated for through a number of exemptions from social security contributions for employers, the minimum wage level is regarded as being high. The Commission also finds that alternative instruments such

¹⁷ EC (2013c), Recommendation for a COUNCIL RECOMMENDATION on Belgium's 2013 national reform programme and delivering a Council opinion on Belgium's stability programme for 2012–2016, COM(2013) 351 final, Brussels, 29 May 2013: 4.

¹⁸ Council (2013c), Recommendation for a Council Recommendation on Belgium's 2013 national reform programme and delivering a Council opinion on Belgium's stability programme for 2012–2016, 10623/1/13, REV 1, Brussels, 19 June 2013: 7. This final CSR diverts slightly from the Commission's proposal. The word 'sub-regional' was added to the proposed sentence 'reflects local differences in productivity and labour market conditions'.

as income support schemes (the ‘*Prime pour l’emploi*’ and the ‘*Revenu de solidarité active*’) are more efficient instruments for addressing in-work poverty than the minimum wage.¹⁹ This analysis resulted in a CSR in the context of the MIP, supported by the conclusions of the in-depth review, recommending that France: “*Ensure that the reduction in the labour cost resulting from the ‘credit d’impôt compétitivité et emploi’ yields the planned amount and that no other measure will offset its effect. Take further action to lower the cost of labour, in particular through further measures to reduce employers’ social-security contributions, in association with social partners. Ensure that developments in the minimum wage are supportive of competitiveness and job creation, taking into account the existence of wage support schemes and social contribution exemptions.*”²⁰ In relation to minimum wage, the Commission neither mentions the role of the social partners, nor national tradition, perhaps because minimum wages are national level matters. Yet, the Recommendations may reduce the income of those receiving the minimum wage, although the Commission is convinced that minimum wage is not the best way to combat in-work poverty in the French case.

According to the Commission, in respect of Slovenia, there has only been partial policy action to improve cost-competitiveness. In 2012, the government did cut nominal gross wages per employee in the public sector by around 3%, and a further decrease of labour costs in the public sector was agreed with social partners in 2013. In addition, the Commission has found that the minimum wage is among the highest in the EU as a percentage of the average wage, and because of it being indexed to inflation, it was subject to a large increase in 2010. Moreover, although the growth rate of nominal compensation per employee was negative in 2012 (–0.4%), nominal unit labour cost (NULC) grew moderately in 2012 (0.7%) due to a negative productivity growth (–1.1%). Increasing productivity has thus been found to be an issue. The analysis resulted in a MIP-related CSR, to: “*Ensure that wage developments, including the minimum wage, support competitiveness and job creation.*”²¹ Although addressing wage development through an eventually binding coordination mechanism may pose tensions between EU competencies and Member State and social partner autonomy, the Commission has not mentioned the role of the social partners or national practices.

Regarding Finland, the Commission is also worried about the fact that productivity growth continues to lag behind the growth in wages while international competitiveness has weakened. The Commission has acknowledged that wage growth has been modest in recent years, due to a tripartite wage agreement. However,

¹⁹ EC (2013d), Recommendation for a COUNCIL RECOMMENDATION on France’s 2013 national reform programme and delivering a Council opinion on France’s stability programme for 2012–2017, COM(2013) 360 final, Brussels, 29 May 2013: 5.

²⁰ Council (2013d), Recommendation for a COUNCIL RECOMMENDATION on France’s 2013 national reform programme and delivering a Council opinion on France’s stability programme for 2012–2017, 10635/1/13, REV 1 Brussels, 19 June 2013: 8.

²¹ Council (2013), Recommendation for a Council Recommendation on Slovenia’s 2013 national reform programme and delivering a Council opinion on Slovenia’s stability programme for 2012–2016, 10655/1/13 REV 1, Brussels, 19 June 2013: 14.

this agreement will expire in 2013, and the Commission is concerned that no new agreement has yet been concluded by the social partners. The Commission has thus issued a CSR on wage developments, which is related to the MIP. It reads: “... *In the current low-growth environment, support the alignment of real wage and productivity developments whilst fully respecting the role of social partners and in line with national practices.*”²² In this Recommendation the role of the social partners is stressed, as well as national practices. Still, the Finnish case also shows tensions between EU demands and national sovereignty, as the EU has no competence in matters related to pay (Article 153(5) TFEU). Yet, the EU seems to find that these issues belong to economic policy coordination in the context of the MIP.

6. CONCLUSION

The analysis reveals that different legal instruments are used to coordinate employment and social policy items. In fact, these items frequently feature in budgetary and economic governance cycles, such as the SGP, and most frequently in the MIP. The analysis also shows that a closer alignment of fiscal, economic, employment and social policy issues does not necessarily downgrade employment and social policy items to *ad hoc* items within budgetary surveillance cycles, embedded in the SGP. Indeed, Recommendations on sound public finances often include suggestions to make changes in the social policy field, particularly in areas in which public spending could be reduced, such as pensions or healthcare systems. However, the analysis shows that SGP-related CSRs may also contain suggestions to consolidate in a growth-friendly manner or to maintain access to healthcare for vulnerable groups. These findings support the conclusion that SGP-related CSRs do not necessarily have a negative impact on the Europe 2020 goals, even though they are based on fiscal or economic coordination mechanisms and primarily focus on cost effectiveness and the sustainability of public finances.²³

Conversely, the analysis with regard to wage-related issues reveals that addressing them in the context of the MIP fosters an ‘economic reading’ of social policy goals. MIP-related CSRs on wage-setting tend to be formulated in the context of fostering competitiveness, job creation and the reduction of labour costs (or the minimum wage level). They also tend to challenge the Member States’ and Social Partners’ autonomy in respect of wage issues, albeit in different ways. Sometimes, the CSRs suggesting reforms of the national wage-setting systems include a reference to the role of the

²² Council (2013), Recommendation for a Council Recommendation on Finland’s 2013 national reform programme and delivering a Council opinion on Finland’s stability programme for 2012–2017, 10634/1/13, REV 1, Brussels, 19 June 2013: 9.

²³ This conclusion is supported by S. Bekker and S. Klosse (2013), ‘EU governance of economic and social policies: chances and challenges for Social Europe’, *European Journal of Social Law*, No 2, June 2013, p. 103–120.

national social partners and national practices, which seem to leave national actors room to develop their own policies. But it also occurs that such a reference is lacking. This is not in line with Article 152 TFEU and Article 28 EUCFR, which require the Union to respect national practices and institutions for wage formation and the social partners' right to negotiate and conclude collective agreements. Addressing wage developments through an eventually binding coordination mechanism may also create tensions in regard to Article 153(5) TFEU, which does not allow the EU to interfere with matters relating to pay. This will be all the more so when countries enter the corrective stages of the MIP. After all, this may result in the sanctioning of countries. It remains to be seen whether wage related issues will actually provide a ground for sanctioning.

The overall analysis thus seems to show a mixed picture, with certain Recommendations supporting social policies, while other Recommendations tending to address social issues from an economic perspective. It is important to note that the changing relevance of the different coordination mechanisms in relation to the Recommendations highlights that the European Semester is still in development and may be subject to further changes in the future.²⁴ In this respect, more ground may be gained from including a stronger view on social Europe. Moreover, addressing social issues within economic policy cycles in the current preventative stages, neither means that these topics will remain part of the Recommendations in the corrective stages of these coordination cycles, nor predicts that these are items upon which to base sanctions.

²⁴ B. Vanhercke (2013), 'Under the Radar? EU Social Policy in Times of Austerity', in *Social Developments in the European Union 2012*, edited by David Natali and Bart Vanhercke, Brussels: European Social Observatory and European Trade Union Institute, p. 91–121.

S. Clauwaert (2013), 'The country-specific Recommendations (CSRs) in the social field – An overview and (initial) comparison to the CSRs 2011–2012 and 2012–2013 and 2013–2014, Background analysis 2013.02', Brussels, ETUI.